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Message Text

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73
ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 STR-08 TAR-02 L-03

H-03 PA-04 PRS-01 SS-20 NSC-10 SSO-00 NSCE-00 USIE-00

INRE-00 DRC-01 /169 W
---------- 108645
O R 152004Z JAN 74
FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC IMMEDIATE 6075
INFO USCINCSO
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR

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GUATEMALA PLEASE PASS ROCAP

E.O. 11652: N/A
TAGS: EIND, EAGR, HO, US
SUBJ: FORESTRY POLICY: HAWTHORNE

REF: STATE 006844, TEGUCIGALPA 184

1. SUMMARY: RICARDO REYES, GENERAL MANAGER HONDURAN CORPORATION FOR FORESTRY DEVELOPMENT (COHDEFOR), HELD MEETING JAN 14 WITH NORTH COAST LUMBER EXPORTERS. HAWTHORNE EXPORT LUMBER COMPANY, INC (STATE OF NEW YORK) REVIEWED DEVELOPMENTS WITH EMBASSY NOON JAN 15. HAWTHORNE SEEKING FURTHER MEETING WITH REYES. NO ACTION REQUESTED. END SUMMARY.

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2. REYES REQUESTED MEETING WITH NORTH COAST EXPORTERS

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HELD IN HIS OFFICES JAN 14 SHOWED LIMITED UNDERSTANDING
OF FINANCIAL AND OPERATIONAL CONDITIONS AFFECTING LUMBER
EXPORT INDUSTRY. HOWEVER, HE IS APPARENTLY SEEKING MEANS
OF COMPLYING WITH DECREE 103 SO AS TO PERMIT CONTINUED
EXPORT HONDURAN LUMBER. DISCUSSIONS WITH INDIVIDUAL EXPORTERS
FOLLOWED GROUP MEETING WITH NO SOLUTIONS APPARENT.

3. HAWTHORNE PRESIDENT, ERNEST FONTAN, AND OFFICERS GROSS
AND NIXON CALLED ON EMBASSY NOON JAN 15. THEY CONSIDER
CURRENT GOVERNMENT ATTITUDE CATEGORICALLY PREVENTS ANY
EXPORT HONDURAN LUMBER INVENTORY. PRIMARY CAUSE IS
COMPLEX FINANCING CONDITIONS OF INVENTORY NOW IN EXPORT
COMPANY YARDS. EXPORT FURTHER COMPLICATED BY GOVERNMENT TAX
CLAIMS APPLIED AGAINST PRACTICALLY ALL LUMBER EXPORT
CORPORATIONS EXCEPTING TO DATE HAWTHORNE.

4. HAWTHORNE WILL PRESENT SEVERAL ALTERNATIVES TO REYES
TO MEET ITS PARTICULAR REQUIREMENTS IN ORDER THAT IT
CONTINUE EXPORT OPERATIONS. HAWTHORNE ACCOUNTS FOR
APPROX 40 PERCENT (53 MILLION BOARD FEET IN 1973) FROM
NORTH COAST. EMBASSY WILL REPORT DEVELOPMENTS.

5. FROM HAWTHORNE'S DESCRIPTION GOH MAY HAVE BUILT ITS
DECREE 103 ON THEORETICAL VIEW OF INDUSTRY. ACTUAL AFFECT
OF LAW MAY RESULT IN COMPLETE STOPPAGE EXPORTS, SAW MILL
OPERATIONS AND CUTTING.

6. UNLESS CURRENT GOVERNMENT ATTITUDE AS EXPRESSED BY
REYES ALTERED EXPORT INDUSTRY COULD SHUT DOWN COMPLETELY
IN FEW DAYS. EXPORTS ALREADY HALTED AND CHAIN REACTION
GOING BACKWARD TO OTHER STAGES.

7. ADDITIONAL COMPLEXITIES CAUSED BY LARGE TAX CLAIMS
WHICH MAY BE APPLIED IN SUCH MANNER AS TO BLOCK MOVEMEN*
OF EXPORT-READY INVENTORIES.

8. FINANCING PROBLEM IN HAWTHORNE'S SPECIFIC CASE RELATES
TO FACT INVENTORY FINANCED BY BARCLAY'S BANK IN NEW YORK.
BANK SERVES AS FINANCIAL AGENT TO PROVIDE CASH FOR
PURCHASES FROM SAW MILLS AND RECEIVES PAYMENT WHEN
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INVOICE PAYMENT MADE BY PURCHASER OF EXPORTS.
GOVERNMENT PRESUMPTION HAD BEEN THAT FINANCING PROVIDED
BY EXPORT COMPANY AND THEREFORE INVENTORIES PROPERTY OF
EXPORTING COMPANY. IN FACT, INVENTORY TECHNICALLY OWNED
BY BARCLAY'S BANK AS SECURITY AGAINST ADVANCES PAID TO
SAW MILL. NEW LAW REQUIRES ALL INVOICING TO BE DONE IN
HONDURAS THROUGH THE CENTRAL BANK. REYES SUGGESTED TO
HAWTHORNE IT SEEK FINANCING OF HONDURAN BANK. THIS FINANCING

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REFUSED HAWTHORNE BY BANCO ATLANTIDA (CHASE). REFUSAL
BASED UPON FACT INVENTORIES ACTUALLY PROPERTY OF
BARCLAY'S (THEREFORE DID NOT CONSTITUTE SECURITY FOR
LOAN), AND OTHER FACTORS OF UNCERTAINTY OF GOVERNMENT POLICY.

9. COMMENT: WE DOUBT REYES HAS AUTHORITY TO SOLVE EVEN
HAWTHORNE PROBLEM WITHOUT REFERENCE TO SENIOR OFFICIALS.
OBVIOUSLY, TAX PROBLEM IF TIED TO EXPORT-READY
INVENTORIES REQUIRES SOLUTION FROM SENIOR OFFICIALS.
PROBLEM OF STOPPAGE OF EXPORT INDUSTRIES GRAVE, ESPECIALLY
IN TERMS OF UNEMPLOYMENT.
SANCHEZ

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